

Assessing performance against CMA objectives for investment consultants

Addressee

This note is addressed to the Committee and Officers of the City and County of Swansea Pension Fund (“the Fund”). The purpose of this paper is to set out the next steps in the requirement to set objectives and assess Hymans Robertson, as investment consultant to the Fund, against the objectives following the publication of the Competition and Markets Authority (“CMA”) final order, relating to their review of investment consulting and fiduciary management markets.

This paper should not be disclosed to any third parties without our prior written permission. We accept no liability to any third party relying on the advice or recommendations in this paper.

Background and scope

In June 2019, the CMA published its final order following a review of the investment consulting and fiduciary management markets. The order made it a regulatory requirement for pension scheme trustees to set objectives for their investment consultants.

We have summarised the key points below:

- Since 10 December 2019 pension schemes **must set strategic objectives for their investment consultants** before they enter into a contract or continue to receive services from them. The Committee and Officers have set and agreed objectives for Hymans Robertson, which are set out in Appendix 1.
- Pension scheme **trustees must submit ‘compliance statements’** stating that they have complied with the above requirement. These need to be submitted **by 7 January 2021 and annually thereafter**. The format of the compliance statement is a short statement which is stipulated in the CMA order, please see Appendix 2 for details. A scanned copy of a signed statement will need to be submitted by email to this address: RemediesMonitoringTeam@cma.gov.uk.
- At some point the Ministry of Housing, Communities and Local Government will amend current legislation so that the CMA requirements become part of pensions law (and will then be overseen by The Pensions Regulator). [The consultation regarding draft regulations](#) closed on 2 September 2019 and an update has been delayed and is not expected until the first half of 2022. Until then the CMA rules apply.
- The CMA order only requires trustees to confirm that they have complied with the requirements over the last 12 months and had objectives in place. However, reviewing our performance against the objectives that the Trustees have set is part of ongoing good governance.
- This is in line with [guidance](#) from The Pensions Regulator (“TPR”) which suggests performance is monitored annually, with a detailed review every three years. TPR also suggests checking that objectives are still appropriate at least every three years.

Assessing performance against objectives

In this updated paper we have set out the objectives which the Committee agreed last year alongside evidence for discussion against which we can be assessed as your investment consultant.

There is no 'one size fits all' approach to performance assessment and the Committee should consider the format of the assessment that it finds most effective. For example, whether the review takes place as a discussion or as a questionnaire to be completed on an individual basis. Reflecting on other assessments the Committee carries out could help with this.

There is not an obligation to have assessed your consultant's performance against these objectives by that date. We note however that over the course of the year, we have worked with the Officers of the Fund to provide qualitative evidence of how we have complied with the objectives, which has then been considered by the Committee. We have included these objectives in Appendix 1 for completeness.

As part of the ongoing assessment cycle, the output from the performance assessment, any feedback sessions and agreed actions should be well-documented.

Next steps

- Continue to consider the evidence we provide in our regular self-assessments and share any comments or questions on this;
- Document your review of our performance relative to the agreed objectives; and
- Report your compliance relative to the CMA's requirements to the CMA by 7 January 2022 – see Appendix 2.

Prepared by: -

Nick Jellema, Senior Investment Consultant
André Ranchin, Associate Consultant
Tom Prince, Investment Analyst

For and on behalf of Hymans Robertson LLP

November 2021

General Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

Appendix 1: CMA objectives – City and County of Swansea Pension Fund

ICS area	Strategic objective
Demonstration of value-added advice services	Help the Committee to implement an investment strategy which adds value through the integration of ESG (including climate change) and stewardship considerations in their investment manager appointments
	Enable the Pension Fund Committee to access a wider range of opportunities and portfolios of assets (and/or build portfolios of assets)
	Assisting the Committee in setting well-defined strategic objectives for the Fund: <ul style="list-style-type: none"> <li data-bbox="981 699 1675 730">– Achieving full funding with an acceptable degree of risk <li data-bbox="981 762 1776 794">– Ensuring sufficient liquidity of assets to meet pension cashflows
	Providing strategic advice to ensure a strategy consistent with Fund’s objectives
	Advising on cost-efficient implementation of the investment strategy at all times
Delivery of specialist services	Help the Pension Fund Committee to decide on an appropriate risk and performance objectives
	Help the Pension Fund Committee to decide, in consultation with key stakeholders, to do the following: <ul style="list-style-type: none"> <li data-bbox="981 1177 2011 1241">• to help the Pension Fund Committee to develop and define their investment beliefs, ESG Policies, RI Policies, Voting Policies <li data-bbox="981 1281 2031 1345">• to help the Pension Fund Committee to review their investment governance arrangements and terms of reference for any subcommittees or delegated authorities
Proactivity of advice	Advise the Pension Fund Committee on new investment opportunities or emerging risks

	Advise the Pension Fund Committee on market pricing opportunities to mitigate or manage risk
	Deliver training to enable the Pension Fund Committee to engage with new investment opportunities, emerging risks or opportunities to manage risk
	Advise on any changes in the investment governance arrangements or delegated authorities which are necessary to enable the Pension Fund Committee to best access the emerging opportunities
Support with member engagement and communication	Through the use of communication and behavioural techniques, help the Pension Fund Committee effectively engage with their membership to better understand their needs
Support with scheme management and compliance	On a regular (quarterly) basis, monitor the performance of the scheme's investment strategies and also the performance of the scheme's investment managers
	Produce investment reports, briefing papers and investment advice in advance of Committee meetings and on a timely basis
	Assist the Pension Fund Committee with the review and update as appropriate the scheme's Investment Strategy Statement
	Provide periodic written advice on any direct investments held
	Provide Committee training as required
Relationship and service standards	Ensure compliance of the scheme's investment arrangements with the regulations
	Agree any changes of (named) investment consultant(s) and meeting covers with the Deputy Chief Finance Officer in advance
	Maintain fees in line with tender submission
	Agree fee budget with officers for any significant piece of work

	Clear understanding of the scheme’s goals and objectives
	Appropriate quality and quantity of resourcing to meet the needs and requirements of the scheme
	Strong positive working relationship with the Pension Fund Committee
	Appropriate conflicts of interest or management and mitigation of any conflicts
Support with additional matters arising	Provide advice and assistance to the Pension Fund Committee on any other investment issues arising (for example following court rulings affecting the scheme)

Appendix 2 – CMA compliance statements – the details

Background

- The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 requires pension schemes to set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
- Part 7 of the Order sets out this requirement. Specifically, stating:
“Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider.”
- The Committee and Officers must submit statements to confirm that they have complied with the above requirement.
- **Completing the statement below and submitting it to the CMA before 7 January annually will fulfil the requirement to report back to the CMA.**
- We have drafted the compliance statement for the Fund below. You can print and sign this whole page (including this background wording). A scanned copy of a signed statement should be submitted by email to this address: RemediesMonitoringTeam@cma.gov.uk.
- This must be signed by the Chairman of the Committee.

City and County of Swansea Pension Fund

Investment Consultancy and Fiduciary Management Market Investigation Remedy Compliance Statement for the Committee of the City and County of Swansea Pension Fund

I, Clive Lloyd, confirm on behalf of the Committee of the City and County of Swansea Pension Fund that during the period commencing on 10 December 2020 and ending on 9 December 2021, the Committee of the City and County of Swansea Pension Fund has complied with Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

Additional Compliance Reporting

- (a) this Compliance Statement has been prepared in accordance with the requirements of the Order; and
- (b) for the period to which the Compliance Statement relates, the Committee of the City and County of Swansea Pension Fund has complied in all material aspects with the requirements of the Order and reasonably expect to continue to do so.

FOR AND ON BEHALF OF THE COMMITTEE of the City and County of Swansea Pension Fund

Signature:

Name:

Title: